0 32209
B
92-2272
MANUALLY SIGNED
92 14 9554
0 35891

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

140

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

2+17

For Quarter Ended March 31, 1992 | **Commission File Number 0-19794**

Advantage Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin	39-0391080
(State of Incorporation)	(I.R.S. Employer Identification No.)
5935 7th Avenue Kenosha, Wisconsin	53140
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (414) 658-4861

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1034 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yer X No

The number of shares outstanding of the issuer's common stock, par value $.01 per share, was 3,300,000 at May 12, 1992.

PROCESSED BY
29-29=I.
MAY 18 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

139

ADVANTAGE BANCORP, INC. AND SUBSIDIARY
FORM 10-Q

Part I. Financial Information

Item 1	Financial Statements	
	Consolidated Statements of Financial Condition as of March 31, 1992 (unaudited) and September 30, 1991	3
	Consolidated Statements of Income for the Three and Six Months ended March 31, 1992 and 1991 (unaudited)	4
	Consolidated Statements of Changes in Stockholders' Equity for the Six Months ended March 31, 1992 and 1991 (unaudited)	5
	Consolidated Statements of Cash Flows for the Six Months ended March 31, 1992 and 1991 (unaudited)	6
	Notes to Consolidated Financial Statements (unaudited)	8
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	13

Part II. Other Information

Item 1	Legal Proceedings	23
Item 2	Changes in Securities	23
Item 3	Default upon Senior Securities	23
Item 4	Submission of Matters to a Vote of Security Holders	23
Item 5	Other Information	23
Item 6	Exhibits and Reports on Form 8-K	23
	Signature Page	24

Advantage Bancorp, Inc. and Subsidiary
Consolidated Statements of Financial Condition
(Dollars in thousands)

	March 31, 1992 (unaudited)	September 30, 1991
Assets		
Cash and cash equivalents (includes interest earning deposits of $4,604 – 1992; $3,277 – 1991)	$11,169	$6,777
Certificates of deposit (approximate market value)	3,462	8,375
U.S. Government securities (market value of $101)		100
Securities held for sale – at lower of cost or market (market value of $13,545 – 1992, $11,855 – 1991)	13,291	11,631
Mortgage–backed securities (market value of $58,813 – 1992; $49,564 – 1991)	58,906	48,620
Mortgage derivative securities (market value of $58,792 – 1992; $39,606 – 1991)	57,397	38,930
Loan receivable – net	310,636	290,615
Foreclosed properties and properties subject to foreclosure – net	813	220
Real estate held for investment	132	265
Investments in and advances to unconsolidated partnerships	6,373	6,559
Office properties and equipment	8,360	7,474
Federal Home Loan Bank stock – at cost	3,061	2,972
Accrued interest on investments and mortgage–related securities	1,212	997
Deferred income taxes	305	305
Intangible assets	2,980	1,094
Prepaid expenses and other assets	357	131
	$478,356	$425,065
Liabilities and Stockholders' Equity		
Liabilities:		
Deposit accounts	$390,630	$368,425
Notes payable to Federal Home Loan Bank	1,720	1,720
Securities sold under agreements to repurchase	500	500
Advance payments by borrowers for taxes and insurance	3,341	6,485
Accrued interest on deposit accounts	1,688	2,712
Accrued interest on notes payable and other borrowings	8	59
Other liabilities	2,693	1,609
Accrued income taxes	528	230
Total liabilities	401,108	381,740
Stockholders' Equity:		
Serial Preferred Stock ($.01 par value); 5,000,000 shares authorized ; none outstanding		
Common stock ($.01 par value) 10,000,000 shares authorized, 3,300,000 shares issued and outstanding	33	
Additional paid–in capital	36,417	
Loan to Employee Stock Ownership Plan	(3,036)	
Unearned restricted stock awarded	(1,510)	
Retained earnings, substantially restricted	45,344	43,325
Total stockholders' equity	77,248	43,325
Commitments and contingencies		
	$478,356	$425,065

See accompanying notes to consolidated financial statements (unaudited).

Advantage Bancorp, Inc. and Subsidiary
Consolidated Statements of Income
(Dollars in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Interest on loans	$7,387	$7,259	$14,789	$14,617
Interest on mortgage-related securities	2,128	1,399	4,057	2,848
Interest and dividends on investment securities	314	220	607	425
Other interest income	207	330	393	810
Total interest income	10,036	9,208	19,846	18,700
Interest on deposits	5,601	5,728	11,530	11,690
Interest on notes payable and other borrowings	105	176	235	377
Total interest expense	5,706	5,904	11,765	12,067
Net interest income	4,330	3,304	8,081	6,633
Provision for loan losses	180	652	360	1,196
Net interest income after provision for loan losses	4,150	2,652	7,721	5,437
Non-interest income:				
Loan fees and service charges	90	90	180	147
Service charges on deposit accounts	195	136	377	277
Gains on sales of loans -- net	126	100	292	128
Net realized and unrealized gains on securities held for sale	10		10	67
Gain on sale of investments		33		33
Equity in net income (loss) of unconsolidated partnerships	15	(30)	28	(11)
Other non-interest income, net	201	206	384	374
Total non-interest income	637	535	1,271	1,015
Non-interest expense:				
Salary and employee benefits	1,422	1,035	2,779	2,089
Occupancy	408	337	788	662
Data processing	208	117	357	232
Advertising	118	71	213	134
Federal deposit insurance premiums	216	181	405	338
Amortization of intangible assets	144	16	258	33
Professional services	85	55	138	118
Other non-interest expenses	347	282	678	561
Total non-interest expense	2,948	2,094	5,616	4,167
Income before income taxes	1,839	1,093	3,376	2,285
Income tax provision	730	607	1,357	1,209
Net income	$1,109	$486	$2,019	$1,076
Earnings per share	$0.33	n/a	$0.60	n/a

See accompanying notes to consolidated financial statements (unaudited).

Advantage Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
(Dollars in thousands)
(unaudited)

	Common Stock	Additional paid-in capital	Retained earnings	Loan to ESOP	Unearned Restricted Stock Awarded	Total
Six Months Ended March 31, 1991						
Balance at September 30, 1990	$ –	$ –	$41,476	$ –	$ –	$41,476
Net income			1,076			1,076
Balance at March 31, 1991	$ –	$ –	$42,552	$ –	$ –	$42,552
Six Months Ended March 31, 1992						
Balance at September 30, 1991	$ –	$ –	$43,325	$ –	$ –	$43,325
Net income			2,019			2,019
Net proceeds of common stock issued in stock conversion	33	36,417		(3,036)	(1,518)	31,896
Amortization of unearned restricted stock awarded					8	8
Balance at March 31, 1992	$33	$36,417	$45,344	($3,036)	($1,510)	$77,248

See accompanying notes to consolidated financial statements (unaudited).

ADVANTAGE BANK, S.S.B. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Six Months Ended March 31,	
	1992	1991
Operating activities:		
Net income	$ 2,019	$ 1,076
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	360	1,196
Provision for depreciation	293	287
Amortization of intangible assets	258	33
Equity in net (income) loss of unconsolidated partnerships	(28)	11
Net realized and unrealized gain on securities held for sale	(10)	(67)
Gain on sale of investments		(33)
Net amortization of mortgage-related securities discounts and premiums	147	(4)
Net amortization of securities held for sale discounts and premiums	(59)	(2)
Increase (decrease) in accrued income taxes	299	(38)
Decrease (increase) in interest receivable	190	(194)
Decrease in interest payable	(1,076)	(1,195)
Loans originated for sale	(19,526)	(12,502)
Sales of loans	19,526	12,502
Purchases of securities held for sale	(5,000)	(3,718)
Proceeds from sales or maturities of securities held for sale	3,409	350
Receipt of FHLB stock dividend	(89)	
Amortization of cost of stock benefit plan	8	
Net cash provided by (used in) operating activities	721	(2,298)
Investing Activities:		
Proceeds from maturities of certificates of deposit	6,005	5,238
Purchases of certificates of deposit	(1,092)	(6,375)
Proceeds from sale of investments	100	41
Purchases of loans	(5,795)	
Principal repayments on mortgage-related securities	14,123	4,204
Purchase of mortgage-related securities	(42,926)	(2,043)
Loan principal repayments	58,309	32,316
Loans originated	(74,034)	(29,976)
Proceeds from sale of real estate owned	28	30
Proceeds from sale of real estate held for investment	133	
Principal repayments on loans to unconsolidated partnership	114	58
Cash distribution from unconsolidated partnership	100	
Additions to office properties and equipment	(1,178)	(221)
Increase in intangibles resulting from acquisition of branch deposits	(2,144)	
Acquisition of branch office deposits-net cash received	35,038	
Loan to Employee Stock Ownership Plan	(3,036)	
Other	970	(684)
Net cash provided by (used in) investing activities	(15,285)	2,588

ADVANTAGE BANK, S.S.B. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(dollars in thousands)

	Six Months Ended March 31,	
	1992	1991
Financing activities:		
Net increase (decrease) in deposit accounts	(12,833)	2,797
Proceeds from notes payable to the Federal Home Loan Bank	17,850	
Repayment of notes payable to the Federal Home Loan Bank	(17,850)	
Net decrease in securities sold under agreements to repurchase		(800)
Net increase (decrease) in advance payments by borrowers for taxes and insurance	(3,143)	(3,927)
Net proceeds from issuance of common stock	36,450	
Purchase of restricted stock by Bank Incentive Plan	(1,518)	
Net cash provided by (used in) financing activities	18,956	(1,930)
Increase (decrease) in cash and cash equivalents	4,392	(1,640)
Cash and cash equivalents:		
At beginning of year	6,777	19,620
At end of period	$ 11,169	$ 17,980
Supplemental disclosures of cash flow information:		
Interest paid (including amounts credited to deposit accounts)	$ 12,840	$ 13,262
Income taxes paid	1,050	1,314

Supplemental schedule of noncash investing activities:

During 1991, real estate held for investment property with a net book value of $1,579 was reclassified to office property and equipment, as the Bank intends to utilize the property in its operations.

See accompanying notes to consolidated financial statements (unaudited).

ADVANTAGE BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (unaudited)
Three and Six Months Ended March 31, 1992

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation have been included.

The results of operations and other data for the three and six months ended March 31, 1992 are not necessarily indicative of results that may be expected for the entire fiscal year ended September 30, 1992.

The unaudited consolidated financial statements include the accounts of Advantage Bancorp, Inc. (the "Holding Company") and its wholly-owned subsidiary, Advantage Bank, S.S.B. and subsidiary (the "Bank") as of and for the three and six months ended March 31, 1992. The consolidated financial statements for the prior year periods include only the accounts of the Bank and its subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

(2) Conversion to Stock Ownership

On September 10, 1991, the Board of Directors of the Bank adopted a plan of conversion pursuant to which the Bank converted from a Wisconsin state-chartered mutual savings institution to a Wisconsin state-chartered stock savings institution with the concurrent formation of the Holding Company. On March 20, 1992, the Holding Company sold 3,300,000 shares of common stock at $11.50 per share to depositors of the Bank during the subscription offering. Total net proceeds, after reflecting conversion expenses of $1.5 million, were $36.5 million and are reflected as common stock and additional paid-in capital on the accompanying unaudited consolidated statement of financial condition. The Holding Company utilized $18.3 million of the net proceeds to acquire all of the issued and outstanding common stock of the Bank.

As part of the conversion to stock form, the Bank formed an Employee Stock Ownership Plan ("ESOP") for eligible employees. The ESOP purchased 264,000 shares of the Holding Company's common stock

at $11.50 per share in the conversion, which was funded by a loan from the Holding Company. The Bank will make scheduled discretionary cash contributions to the ESOP sufficient to service the amount borrowed. In accordance with GAAP, the unpaid balance of the ESOP loan has been included on the unaudited consolidated statement of financial condition as a reduction of stockholders' equity.

Additionally, the Bank formed Bank Incentive Plans ("BIPs") which were authorized to acquire approximately 4% of the shares of common stock in the conversion. The Bank contributed $1.5 million to the BIPs to enable the BIP trustee to acquire a total of 132,000 shares of the common stock in the conversion at $11.50 per share. The shares authorized were awarded to employees in key management positions in order to provide them with a proprietary interest in the Holding Company in a manner designed to encourage such employees to remain with the Bank.

The $1.5 million contributed to the BIPs is being amortized to compensation expense as the Bank's employees become vested in these shares. As of March 31, 1992, $8,000 had been amortized to expense. The unamortized cost, which is comparable to deferred compensation, is reflected as a reduction of stockholders' equity.

(3) Pro Forma Earnings per Share

Pro forma earnings per share of common stock for the six months ended March 31, 1992 have been determined by dividing net income for the period by the weighted average number of shares of common stock and common stock equivalents outstanding as if the Holding Company's offering in connection with the conversion took place as of October 1, 1991. Stock options are regarded as common stock equivalents and are therefore considered in per share calculations. Common stock equivalents are computed using the treasury stock method. Earnings per share information for the prior year period is not meaningful because the company did not complete its conversion from mutual to stock form of ownership until March 20, 1992.

(4) Commitments and Contingencies

Commitments to originate mortgage loans of $21.1 million ($9.4 million in fixed-rate commitments with an average rate of 8.64% and $11.7 million in adjustable-rate commitments) at March 31, 1992 represent amounts which the Bank plans to fund within the normal commitment period of sixty to ninety days. Commitments to sell fixed-rate mortgage loans totalled $5.6 million at March 31, 1992. The Bank also had unissued credit under existing home equity line-of-credit loans and commercial line-of-credit loans totaling $5.7 million and $3.1 million, respectively, at March 31, 1992.

During 1985 the Bank entered into two agreements whereby, for an

annual fee, certain of its mortgage-backed securities were pledged as collateral for Industrial Development Revenue Bond issues which were issued by municipalities to finance commercial real estate owned by third parties unrelated to the Bank. One bond issue financed the purchase and refurbishment of a hotel while the other bond issue financed the construction of student housing at the University of Wisconsin-Parkside. As part of each bond issue, the Bank and the property owner entered into a reimbursement agreement, which required the owner to periodically deposit with the Bank adequate funds to cover scheduled principal and interest payments, anticipated real estate taxes and insurance payments as well as the guarantee fee.

During February 1992 the Bank modified the reimbursement agreement relating to the hotel bond issue and advanced $3.3 million of funds to the bond trustee to retire the bonds. The Bank assumed the first mortgage on the real estate and recorded a mortgage loan receivable for $3.3 million. The mortgage loan carries an interest rate of 8.5% and matures in December 1995 with monthly principal and interest payments based on a 15 year amortization period. Prior to retirement of the bonds, the borrower was not in default on any scheduled payments under the bond issue. However, the borrower had been late in making certain required payments to the Bank under the previous reimbursement agreement. The borrower has made all scheduled payments on a timely basis under the modified reimbursement agreement. The modification of the reimbursement agreement did not change the guarantee to the extent of 25% of the loan (previously the bond) balance by the four original stockholders in the corporation that owns the hotel along with a fifth guarantor. The loan receivable is considered a performing loan as of March 31, 1992.

The agreement related to the UW-Parkside student housing remains in effect under its original terms. Under the terms of the agreement, the Bank must maintain with a trustee, either directly or in book entry form, collateral with a fair market value aggregating at least 150% to 180% of the outstanding principal balance of the bonds. The Bank continues to receive principal and interest payments on these securities.

In the event of the third party borrower's default of principal or interest payments on the bonds, the Bank is required either to pay the amount in default or to acquire the then outstanding bonds. The acquisition of the bonds would be made by having the trustee acquire the bonds, using the proceeds from liquidation of an appropriate amount of collateral, or through a cash purchase. The Bank may then foreclose on the real estate to recover amounts in default.

At March 31, 1992, securities with a carrying value of approximately $10.2 million were held by the trustee as collateral for the bonds totalling $5.3 million. The borrower was not in

default on any scheduled payments under the bond issue or related agreements with the Bank. Management has considered this agreement in its review of the adequacy of the allowance for losses.

(5) Stockholders' equity

Under federal law and regulations, the Bank is required to meet certain tangible, core, and risk-based capital requirements. Tangible capital generally consists of stockholders' equity minus certain intangible assets and investments in and advances to "nonincludable" subsidiaries and joint ventures. Core capital generally consists of tangible capital plus qualifying intangible assets. The risk-based capital requirements presently address credit risk related to both recorded assets and off-balance sheet commitments and obligations. Risk-weighted assets for regulatory measurement purposes at March 31, 1992 are $276.2 million

The following table summarizes the Bank's capital ratios and the ratios required under federal law and regulations at March 31, 1992 (dollars in thousands):

	Tangible Capital	Core Capital	Risk-based Capital
Actual amount	$52,705	$55,685	$59,426
Required amount	7,146	14,382	19,888
Excess	45,559	41,303	39,538
Actual ratio	11.1%	11.6%	21.5%
Required ratio	1.5%	3.0%	7.2%
Excess	9.6%	8.6%	14.3%

The Bank's regulatory capital as of March 31, 1992 is as follows (in thousands):

	Tangible Capital	Core Capital	Risk-based Capital
Stockholders' equity	$62,051	$62,051	$62,051
General loss allowances	--	--	3,741
Nonallowable investment and and advances to subsidiaries	(6,366)	(6,366)	(6,366)
Nonallowable intangible assets	(2,980)	--	--
Regulatory capital	$52,705	$55,685	$59,426

The required ratio of risk-based capital to adjusted assets increases to 8.0% on January 1, 1993.

As a state-chartered savings institution, the Bank is also subject to the minimum regulatory capital requirements of the State of Wisconsin. At March 31, 1992, the Bank also met these requirements.

(6) Purchase of branch deposits from Resolution Trust Corporation

In November 1991 the Bank acquired $35.4 million of customer deposits and related accrued interest of a failed financial institution from the Resolution Trust Corporation (RTC). The Bank received assets with a fair value of $33.3 million (including cash of $29.1 million and loans receivable of $4.3 million) for assumption of the liabilities. The Bank subsequently put back to the RTC $3.0 million of these loans. The fair value of the liabilities assumed exceeded the fair value of the assets received by $2.1 million which was recorded as a core deposit intangible which is being amortized over six years, the estimated life of the deposits acquired. In connection with this deposit acquisition, the Bank purchased an office property and equipment from the RTC for a total price of $725,000.

(7) Reclassifications

Certain amounts in the 1991 consolidated financial statements have been reclassified to conform with the 1992 presentation.

ADVANTAGE BANCORP, INC. AND SUBSIDIARY

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Advantage Bancorp, Inc. (the "Holding Company") is the holding company for Advantage Bank, S.S.B. (the "Bank"), a Wisconsin state-chartered savings institution. On March 20, 1992, the Bank completed its conversion from a Wisconsin state-chartered mutual savings institution to a Wisconsin state-chartered stock savings institution. On that date, the Holding Company issued and sold 3,300,000 common shares of its stock at $11.50 per share to complete the conversion. Net proceeds to the Holding Company were $36.5 million after reflecting conversion expenses of $1.5 million. The Holding Company used $18.2 million of the net proceeds to acquire all of the issued and outstanding stock of the Bank and invested virtually all of the remaining proceeds in deposit accounts at the Bank as of March 31, 1992. The Holding Company has no significant liabilities.

The Bank's principal business is attracting retail deposits from the general public and using such deposits to originate residential loans in its primary market area. The Bank also originates commercial real estate, multi-family, construction, consumer and commercial business loans. In addition, the Bank also invests in mortgage-related securities, investment securities, certificates of deposit, short-term liquid assets and real estate. Finally, the Bank offers, on an agency basis, certain securities brokerage services and insurance products to its customers. The Bank operates out of 11 locations. It has five full service offices located in Kenosha, Wisconsin and full service branch offices located in Lake Geneva and Paddock Lake, Wisconsin and Gurnee, North Chicago and Zion, Illinois. The Bank also operates a loan origination facility in Waukesha, Wisconsin. The Bank owns a single service corporation, KSL Insurance Servces, Inc., which is currently inactive. Deposits of the Bank are insured up to the maximum allowable amount by the Federal Deposit Insurance Corporation (the "FDIC"). The Bank is subject to regulation by the Office of Thrift Supervision (the "OTS"), the FDIC, and the Wisconsin Commissioner of Savings and Loan.

The Bank's results of operations are dependent primarily on net interest income, which is the difference between the interest interest income earned on its loan, mortgage-related securities and investment portfolios and its cost of funds, consisting of interest paid on its deposits and borrowings. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Conversely, when interest-earning assets mature or reprice more quickly than

interest-bearing liabilities, falling interest rates could result in a decrease in net interest income. In managing its asset-liability mix, Advantage intends to continue to emphasize, subject to future conditions, the origination of adjustable rate mortgage loans and the purchase of short-term, intermediate-term and adjustable-rate mortgage-related securities and other assets.

The Bank's operating results are also affected to a lesser extent by gains or losses on the sale of securities held for sale, loans and real estate. The Bank's operating expenses principally consist of employee compensation, occupancy expenses, federal insurance premiums and other general and administrative expenses. The Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory authorities.

Liquidity and Capital Resources

The Bank's most liquid assets are cash and cash equivalents, which include investments in highly liquid, short-term investments. The level of these assets are dependent on the Bank's operating, financing and investing activities during any given period. Cash and cash equivalents totalled $11.1 million and $18.0 million as of March 31, 1992 and 1991, respectively.

The Bank's primary sources of funds are deposits, proceeds from principal and interest payments on loans and mortgage-related securities, Federal Home Loan Bank of Chicago ("FHLB-Chicago") advances and, to a lesser extent, reverse repurchase agreements. While maturities and scheduled amortization of loans and mortgage-related securities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, competition and most recently, the restructuring of the thrift industry.

The primary investing activity of the Bank is the origination and purchase of mortgage loans. During the six months ending March 31, 1992 and 1991, the Bank originated and purchased mortgage loans in the amounts of $99.4 million and $42.5 million respectively. Purchases of mortgage-related securities totalled $42.9 million and $2.0 million, respectively, in those same periods. Other investing activities include the purchase of securities held for sale, which totalled $5.0 million for the six months ended March 31, 1992 and $3.7 million for the six months ended March 31, 1991. During the six months ended March 31, 1992 and 1991, these activities were funded primarily by principal repayments on loans and mortgage-related securities totalling $72.4 million, and $36.5 million, respectively, and the proceeds from sale of loans of $19.5 million and $12.5 million, respectively. For the six months ended March 31, 1992, these activities were also funded by net proceeds of

$36.5 million from the conversion to a stock savings institution and net proceeds of $35.0 million from the acquisition of deposits located in Zion, Illinois from the RTC in November 1991.

The Bank is required to maintain minimum levels of liquid assets as defined by OTS regulations. This requirement, which may be varied at the direction of the OTS depending upon economic conditions and deposit flows, is based upon a percentage of deposits and short-term borrowings. The required ratio at March 31, 1992 was 5.0%. The Bank's liquidity ratios were 7.28% and 9.15% as of March 31, 1992 and 1991 respectively. Excess funds are generally invested in short-term investments such as federal funds. In the event that the Bank should require funds beyond its ability to generate them internally, additional sources of funds are available through the use of FHLB-Chicago advances and reverse repurchase agreements.

At March 31, 1992, the Bank's capital exceeded all capital requirements of the OTS as mandated by federal law and regulations on both a current and fully-phased-in basis. See Note 5 to the Unaudited Consolidated Financial Statements.

Changes in Financial Condition

Total assets increased $53.3 million, or 12.5%, from $425.1 million at September 30, 1991 to $478.4 million at March 31, 1992. This increase is primarily attributable to increases in loans receivable and mortgage-related securities. These increases were primarily a result of the investment of net proceeds of $36.5 million received in the Bank's conversion to a stock savings institution and net proceeds of $35.0 million from the acquisition of deposits from the RTC. Loans receivable increased by $20.0 million to $310.6 million as of March 31, 1992 from $290.6 million as of September 30, 1991. This increase was primarily due to the increase in loan origination volume resulting from lower market interest rates and an active local real estate market. The increase in mortgage-related securities during the six months ended March 31, 1992 was primarily due to (1) purchases of $24.9 million of real estate mortgage investment conduits ("REMICs") with estimated average lives of two to three years with an average yield of 7.30% backed by FNMA and FHLMC mortgage securities, and (2) purchases of $18.0 million of 15 year fixed-rate FNMA and FHLMC mortgage securities wit. an average yield of 7.59%.

Deposits increased $22.2 million, or 6.0%, from $368.4 million at September 30, 1991 to $390.6 million at March 31, 1992. This increase was primarily a result of the acquisition of $35.0 million of branch deposits from the RTC, offset by a decrease in deposits by customers who authorized withdrawals from their accounts to purchase stock issued in the Bank's conversion to a stock institution.

Asset Quality

The Holding Company and Bank regularly review assets to determine proper valuation. Management's monitoring of the asset portfolio includes review of historical loss experience, known and inherent risks in the portfolio, the value of any underlying collateral, and prospective economic conditions. Loans are placed on nonaccrual status when either principal or interest is more than 90 days past due.

The following table set forth information regarding the Bank's non-accrual loans, restructured loans and foreclosed real estate at the dates indicated (dollars in thousands):

	At Quarter End				
	Mar. 31 1992	Dec. 31 1991	Sept. 30 1991	June 30 1991	Mar. 31 1991
Non-accruing loans:					
One- to four-family	$ 770	$ 905	$ 347	$ 209	$ 183
Commercial real estate	2,166	1,890	1,660	557	1,768
Commercial business	93	77		61	65
Consumer and other	2	5	8	--	
Total	3,031	2,877	2,015	827	2,016
Restructured loan (Shopping center)	1,168	1,168	--	--	--
Total non-performing loans	$4,199	$4,045	$2,015	$ 827	$ 2,016
Foreclosed assets:					
One- to four-family	$ 444	$ 397	$ 231	$ 209	$ 492
Commercial real estate	369	492	--	--	179
Total	$ 813	$ 889	$ 231	$ 209	$ 671
Total non-performing assets	$5,012	$4,934	$2,246	$1,036	$ 2,687
Non-performing loans to total loans	1.34%	1.63%	0.67%	0.30%	0.69%
Non-performing assets to total assets	1.05%	1.07%	0.53%	0.26%	0.63%

Non-performing loans increased from $2.0 million as of March 31, 1991 to $4.2 million as of March 31, 1992. This increase relates primarily to the loans discussed below.

In 1989 and 1990 the Bank made three loans totalling $2.4 million to a developer secured by lakefront residential properties located in Lake Geneva, Wisconsin. Included in this total is a loan secured by the developer's personal residence in the amount of $494,000 and two loans secured by properties renovated by the developer totalling $1.9 million. The developer's cashflow has been insufficient to service these loans and the loans were classified as nonperforming in December 1991. The developer has signed a contract to sell certain properties securing these loans to an unrelated party and $1.4 million of the nonperforming loans are expected to be paid in full when the sales are completed, which is expected to occur during the next quarter. In addition, past due amounts on the remaining nonperforming loan of $990,000 will be paid when the properties are sold. The value of the collateral on the $990,000 loan, which consists of a single family home with lake frontage and two additional lots with lake rights but no lake frontage, is well in excess of the loan balance.

In 1986, the Bank made a $1.4 million loan for the purchase of a discount "outlet" mall located in West Bend, Wisconsin. In connection with the purchase, the borrowers provided an additional $600,000 in cash from their own funds toward the purchase price of the property. During the last few years, the occupancy levels of the mall have declined and the Bank began to experience delinquencies on this loan. In December 1991 the Bank and the borrower restructured the loan providing for a shorter term (the maturity date was changed from January 2002 to May 1993), a lower interest rate (reduced from 10% to 8%) and a lower interest payment rate (6%). In addition, the general partners of the borrower agreed to defer the payment of any future management fees until all required principal and interest payments have been made. The current balance of the loans is $1.2 million. The borrower has not yet been successful in obtaining additional tenants and the property does not generate sufficient cashflow to service the restructured loan. Management is considering foreclosure action.

Allowance for Loan Losses

The following table sets forth an analysis of the Bank's allowance for loan losses (dollars in thousands):

	Six Months Ended March 31, 1992	Year Ended September 30, 1991	1990
Balance at beginning of period	$ 2,904	$ 572	$ 487
Provision for losses on loans:			
One- to four-family	100	102	44
Multi-family and commercial real estate	188	1,263	41
Consumer	12	182	12
Commercial business	60	628	--
	360	2,175	97
Additions from loan purchases:			
One- to four-family	43	250	--
Multi-family and commercial real estate	535	--	--
	578	250	--
Recoveries:			
Multi-family and commercial real estate	34		
Consumer	11	12	14
Commercial business	2	1	--
	47	13	14
Charge-offs:			
One- to four family	(33)	--	--
Multi-family and commercial real estate	(123)	(49)	--
Consumer	(5)	--	(19)
Commercial business	(2)	(57)	(7)
	(163)	(106)	(26)
Net charge-offs	(116)	(93)	(12)
Balance at end of period	$ 3,726	$2,904	$ 572
Ratio of net charge-offs to average loans outstanding during the period (annualized)	.08%	.03%	.00%
Allowance for loan losses to non-performing loans at end of the period	88.7%	144.1%	207.2%
Allowance for loan losses to total loans at end of the period	1.20%	1.00%	0.21%

While management believes that it uses the best information available to determine the allowance for loan losses, unforeseen market conditions could result in adjustments and net earnings could be significantly affected if circumstances differ substantially from the assumptions used in making the final determination.

* * * * * * * * * *

Results of Operations - Comparison of the Three Months Ended March 31, 1992 and 1991

General

Net income for the three months ended March 31, 1992 was $1.1 million, compared to $486,000 for the comparable 1991 quarter. The $623,000 increase in net income was primarily due to increased net interest income and a lower provision for loan losses in the 1992 quarter as compared to the 1991 quarter.

Net Interest Income

The following table presents certain information related to net interest income (dollars in thousands):

	For the Three Months Ended March 31	
	1992	1991
Average interest-earning assets	$ 455,079	$ 367,425
Total interest income	10,036	9,208
Average yield on interest-earning assets	8.82%	10.02%
Average interest-bearing liabilities	$ 423,975	$ 335,273
Total interest expense	5,706	5,904
Average rate on interest-bearing liabilities	5.38%	7.04%
Net earning assets	$ 31,104	$ 32,152
Net interest income before provision for loan losses	4,330	3,304
Net interest rate spread	3.44%	2.98%

Net interest income before provision for loan losses was $4.3 million for the three months ended March 31, 1992, compared with $3.3 million for the comparable 1991 quarter, an increase of $1.0 million, or 30.3%. This increase is primarily due to a $87.6

million increase in average interest-earning assets for the 1992 quarter compared to the 1991 quarter and an increase in the average rate spread to 3.44% for the 1992 quarter compared to 2.98% for the 1991 quarter. The increase in average interest-earning assets is primarily due to the acquisition of deposits of branches located in Zion and Gurnee, Illinois and an increase in deposits by customers who ordered the Holding Company's stock in the Bank's conversion to a stock institution. The increase in interest rate spread is primarily due to lower market interest rates nationally during the 1992 quarter compared to the 1991 quarter which enabled the Bank to decrease the average rate on interest-bearing liabilities to a greater extent than the decrease in the average yield on interest-earning assets.

Provision for Loan Losses

The provision for loan losses was $180,000 for the three months ended March 31, 1992 compared to $652,000 for the comparable 1991 quarter, a decrease of $472,000. The provisions recorded in the 1992 quarter bring the allowance for loan losses to $3.7 million, or 88.7% of non-performing loans at March 31, 1992.

Non-interest Income

Non-interest income was $637,000 for the three months ended March 31, 1992 compared to $535,000 for the comparable 1991 quarter, an increase of $102,000. This increase is primarily due to increased service charges on deposit accounts and increased equity in net income of unconsolidated partnerships.

Non-interest Expense

Non-interest expense was $2.9 million for the three months ended March 31, 1992 compared to $2.1 million for the comparable 1991 quarter, an increase of $800,000. This increase is primarily due to additional expenses, including amortization of intangible assets, relating to the Gurnee, Illinois branch purchased in September 1991 and the Zion, Illinois branch purchased in November 1991. This increase is also due to the opening of a branch in a grocery store located in Kenosha, Wisconsin during November 1991. Salary and benefits was $1.4 million for the 1992 quarter compared to $1.0 million for the comparable 1991 quarter. This increase was also primarily due to the additional branches purchased during 1991.

Results of Operations - Comparison of the Six Months Ended March 31, 1992 and 1991

General

Net income for the six months ended March 31, 1992 was $2.0 million, compared to $1.1 million for the comparable 1991 period. The $900,000 increase in net income was primarily due to increased net interest income and a lower provision for loan losses in the 1992 period as compared to the 1991 period.

Net Interest Income

The following table presents certain information related to net interest income (dollars in thousands):

	For the Six Months Ended March 31	
	1992	1991
Average interest-earning assets	$ 443,693	$ 369,832
Total interest income	19,846	18,700
Average yield on interest-earning assets	8.95%	10.11%
Average interest-bearing liabilities	$ 412,128	$ 335,616
Total interest expense	11,765	12,067
Average rate on interest-bearing liabilities	5.71%	7.19%
Net earning assets	$ 31,565	$ 34,216
Net interest income before provision for loan losses	8,081	6,633
Net interest rate spread	3.24%	2.92%

Net interest income before provision for loan losses was $8.1 million for the six months ended March 31, 1992, compared to $6.6 million for the comparable 1991 period, an increase of $1.5 million, or 22.7%. This increase is primarily due to a $73.9 million increase in average interest-earning assets for the 1992 period compared to the 1991 period and an increase in the average rate spread to 3.24% for the 1992 period comparted to 2.92% for the 1991 period. The increase in average interest-earning assets is primarily due to the acquisition of deposits of branches located in Zion and Gurnee, Illinois and an increase in deposits by customers who ordered the Holding Company's stock in the Bank's conversion to a stock insitution. The increase in interest rate spread is primarily due to lower market interest rates nationally during the 1992 period compared to the 1991 period, which enabled the Bank to decrease the average rate on interest-bearing liabilities to a greater extent than the decrease in the average rate on interest-earning assets.

Provision for Loan Losses

The provision for loan losses was $360,000 for the six months ended March 31, 1992 compared to $1.2 million for the comparable 1991 period, a decrease of $840,000. The Bank plans to continue to monitor and modify its allowance for loan losses based on its review of its loan portfolio and general economic conditions.

Non-interest Income

Non-interest income was $1.3 million for the six months ended March 31, 1992 compared to $1.0 million for the comparable 1991 period, an increase of $300,000. This increase is primarily due to increased service charges on deposits accounts and increased gains on sales of loans. This increase in gains on sales of loans is primarily due to an increase in the volume of fixed-rate loan sales resulting from an increase in fixed-rate loan originations caused by a general decline in interest rates.

Non-interest Expense

Non-interest expense was $5.6 million for the six months ended March 31, 1992 compared to $4.2 million for the comparable 1992 period, an increase of $1.4 million. This increase is primarily due to additional expenses, including amortization of intangible assets, relating to the Gurnee, Illinois branch purchased in September 1991 and the Zion, Illinois branch purchased in November 1991. This increase is also due to the opening of a branch in a grocery store located in Kenosha, Wisconsin during November 1991.

Part II - Other Information

Item 1 **Legal Proceedings**

The Holding Company and Bank are not engaged in any legal proceedings of a material nature at the present time.

Item 2 **Changes in Securities**

Not applicable.

Item 3 **Default upon Senior Securities**

Not applicable.

Item 4 **Submission of Matters to a Vote of Security Holders**

Not applicable.

Item 5 **Other information**

None

Item 6 **Exhibits and Reports on Form 8-K**

(a) Exhibit 11. Statement re: Computation of Per Share Earnings

Quarter Ended March 31, 1992

1.	Net income	$1,109,000
2.	Weighted average common shares outstanding	3,300,000
3.	Common stock equivalents due to dilutive effect of stock options	83,262
4.	Total weighted average common shares and equivalents outstanding	3,383,262
5.	Earnings per share	$ 0.33

(b) There were no reports on Form 8-K filed during the quarter for which this report is filed.

Signatures

Advantage Bancorp, Inc.
(registrant)

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 12, 1992

Paul P. Gergen
Chairman of the Board
Chief Executive Officer

Date: May 12, 1992

John Stampfl
Chief Financial Officer